



Second Quarter of FY 2020 Financial Results

Japan Display Inc.

November 13, 2020

FY 2020 Second Quarter Summary

Six months of FY 2020 (1H)

- Sales decreased 16% YoY due to intensified competition and the impact of Covid-19.
- Losses decreased despite sales decline due to structural reform effects and various cost reductions.
 - Gross profit: In the black
 - Operating loss: JPY25.3bn improvement
 - Quarterly net loss: JPY67.9bn improvement (lower structural reform costs)
 - EBITDA: JPY22.1bn improvement

Second quarter (2Q)

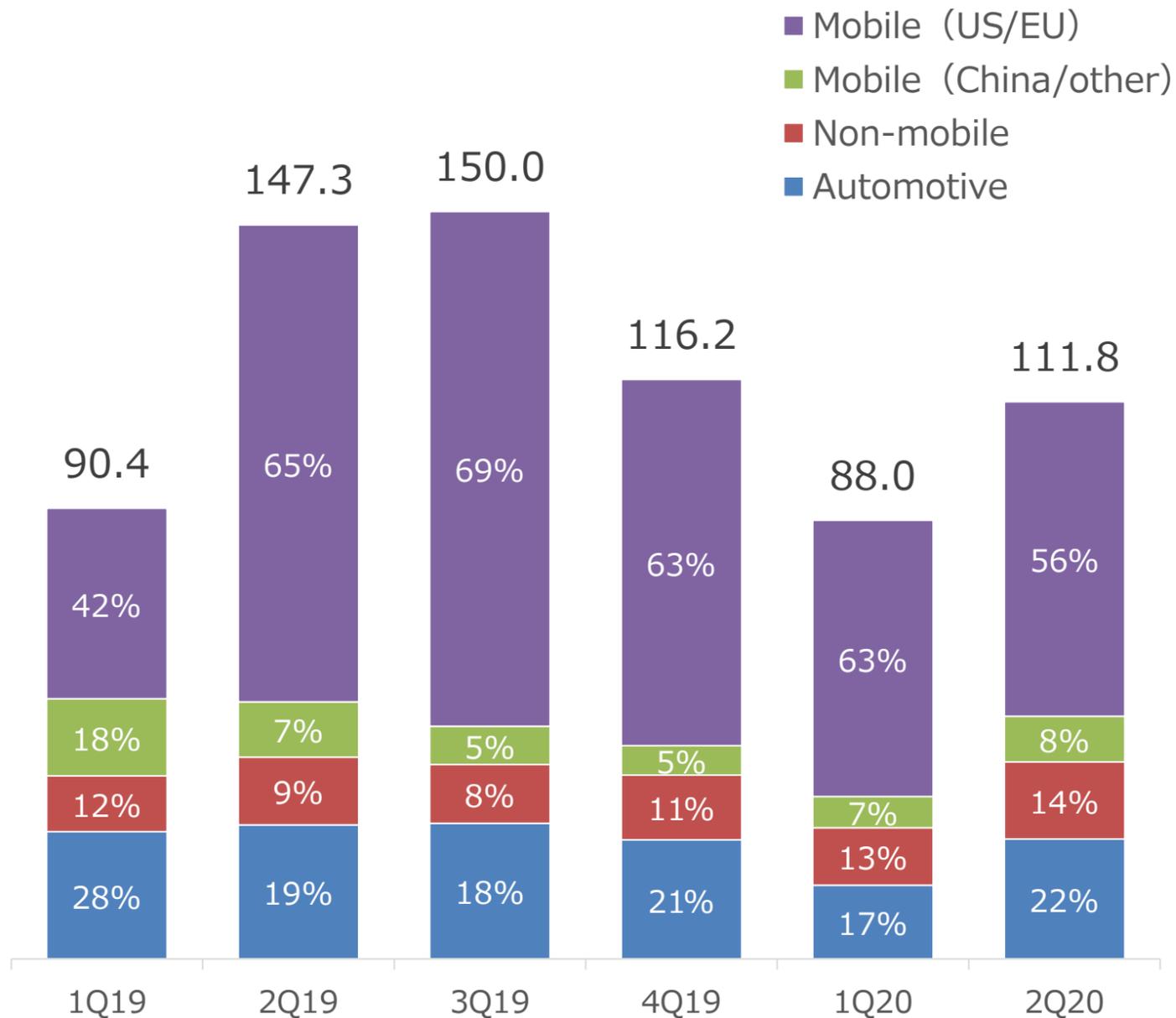
- Within the forecast range announced on Sept. 10: Smartphone display sales were sluggish; net sales & op. losses were near the lower limit of the forecast.
- Demand for automotive displays recovered sharply; higher OLED shipments
- Losses were reduced despite lower sales
 - EBITDA in the black
 - Extraordinary loss of JPY13.1bn: OLED equipment write-off and Hakusan Plant transfer costs

(Billion Yen)

	FY19 1H	FY20 1H	FY19 2Q	FY20 2Q	FY20 2Q (9/10 est.)	FY 20 1Q
Net sales	237.8	199.8	147.3	111.8	110.0-120.0	88.0
Gross profit (loss)	(15.7)	5.6	1.1	4.6	-	1.0
Operating income (loss)	(35.2)	(9.9)	(8.1)	(2.9)	(3.0)-0.0	(7.0)
Net income (loss)	(104.2)	(36.3)	(25.2)	(20.0)	-	(16.3)
EBITDA	(24.3)	(2.2)	(4.1)	1.0	-	(3.2)

Quarterly Sales by Category

Quarterly net sales



Sales by category

■ Mobile (US/Europe: JPY63.1bn, China/other: JPY9.1bn, Total: -32% YoY)

Weak due to lower demand in line with expanded customer adoption of OLED. In 2H, despite higher panel sales, decline in high-price module sales forecast to result in lower sales vs. 1H.

■ Automotive (JPY24.0bn, -11% YoY)

Went from a sharp drop in the 1Q due to major automobile production adjustments to a sharp recovery in the 2Q. 2H as well likely to show a recovery, but resurgence of Covid-19 infections in Europe and the US raise concerns.

■ Non-mobile (JPY15.5bn, +14% YoY)

Covid-19-related delays in the recovery of back-end production resolved in 2Q. A decrease in digital camera display sales was offset by an increase in sales for VR and notebook PC displays. OLED also increasing from the 2Q.

Six months (1H) & 2Q FY20 Operating Results

(Billion yen)

	1H-FY19	1H-FY20	YoY	2Q-FY19	2Q-FY20	YoY	1Q-FY20	QoQ
Net sales	237.8	199.8	(38.0)	147.3	111.8	(35.5)	88.0	+23.8
Cost of sales	253.4	194.1	(59.3)	146.2	107.2	(39.0)	87.0	+20.2
Gross profit (loss)	(15.7)	5.6	+21.3	1.1	4.6	+3.5	1.0	+3.6
SG&A	19.5	15.5	(4.0)	9.2	7.5	(1.7)	8.0	(0.5)
Operating income (loss)	(35.2)	(9.9)	+25.3	(8.1)	(2.9)	+5.2	(7.0)	+4.1
Net non-op. income (expenses)	(8.2)	(5.3)	+2.9	(4.0)	(3.5)	+0.5	(1.8)	(1.7)
Ordinary income (loss)	(43.3)	(15.2)	+28.1	(12.1)	(6.4)	+5.7	(8.8)	+2.4
Net extraordinary income (loss)	(59.7)	(20.3)	+39.4	(12.0)	(13.1)	(1.1)	(7.2)	(5.9)
Income (loss) before income taxes	(103.0)	(35.5)	+67.5	(24.1)	(19.5)	+4.6	(16.0)	(3.5)
Net income (loss) attributable to owners of the parent	(104.2)	(36.3)	+67.9	(25.2)	(20.0)	+5.2	(16.3)	(3.7)
EBITDA	(24.3)	(2.2)	+22.1	(4.1)	1.0	+5.1	(3.2)	+4.2
Avg. FX rate (JPY/USD)	108.6	106.9		107.4	106.2		107.6	
Q-End FX rate (JPY/USD)	107.9	105.8		107.9	105.8		107.7	

Equity method investment loss (non-operating expense)

1 H-FY19 1 H-FY20

4.2 -

Business restructuring expenses & impairment losses (extraordinary loss)

59.7 21.0

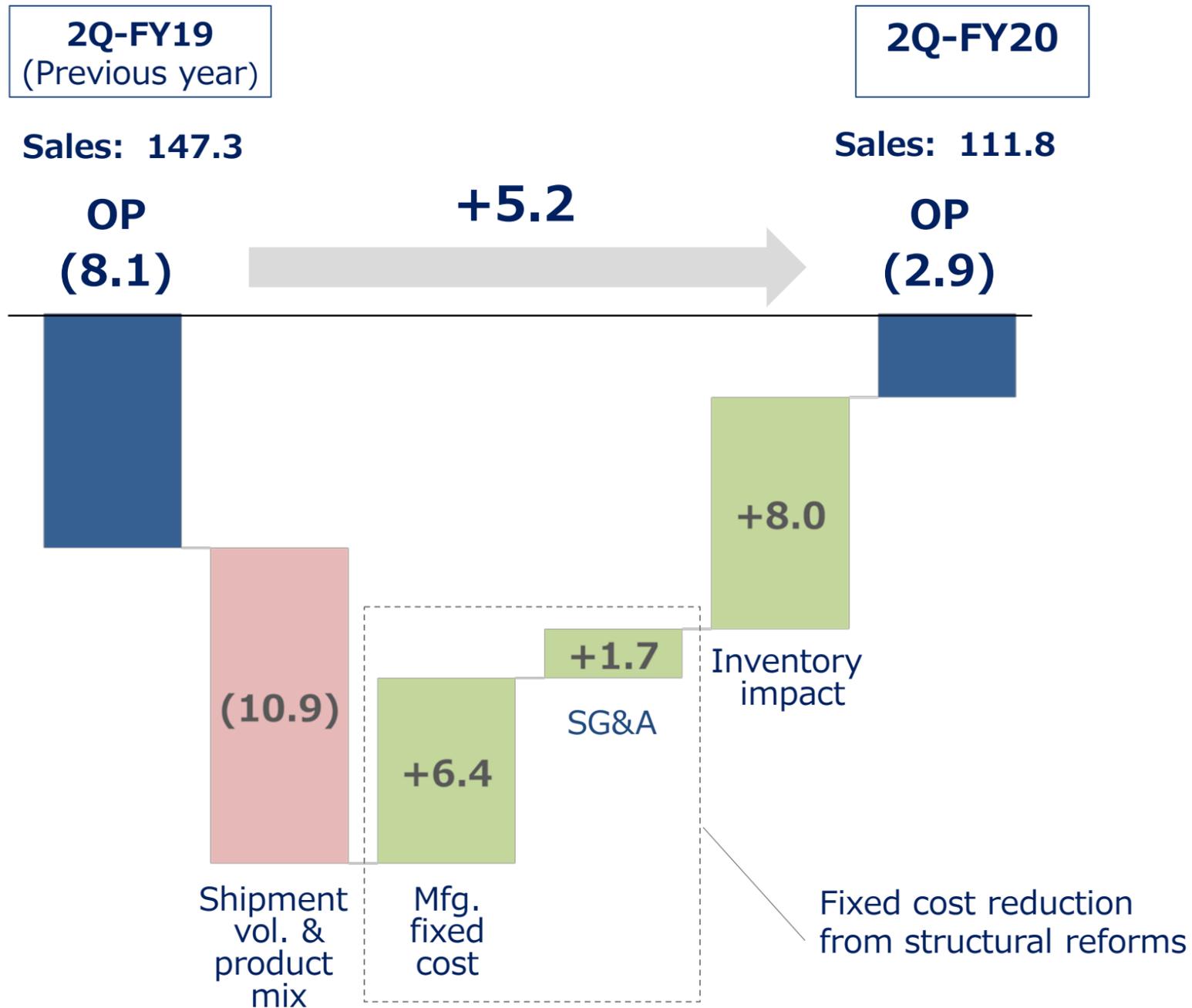
2Q-FY19 2Q-FY20

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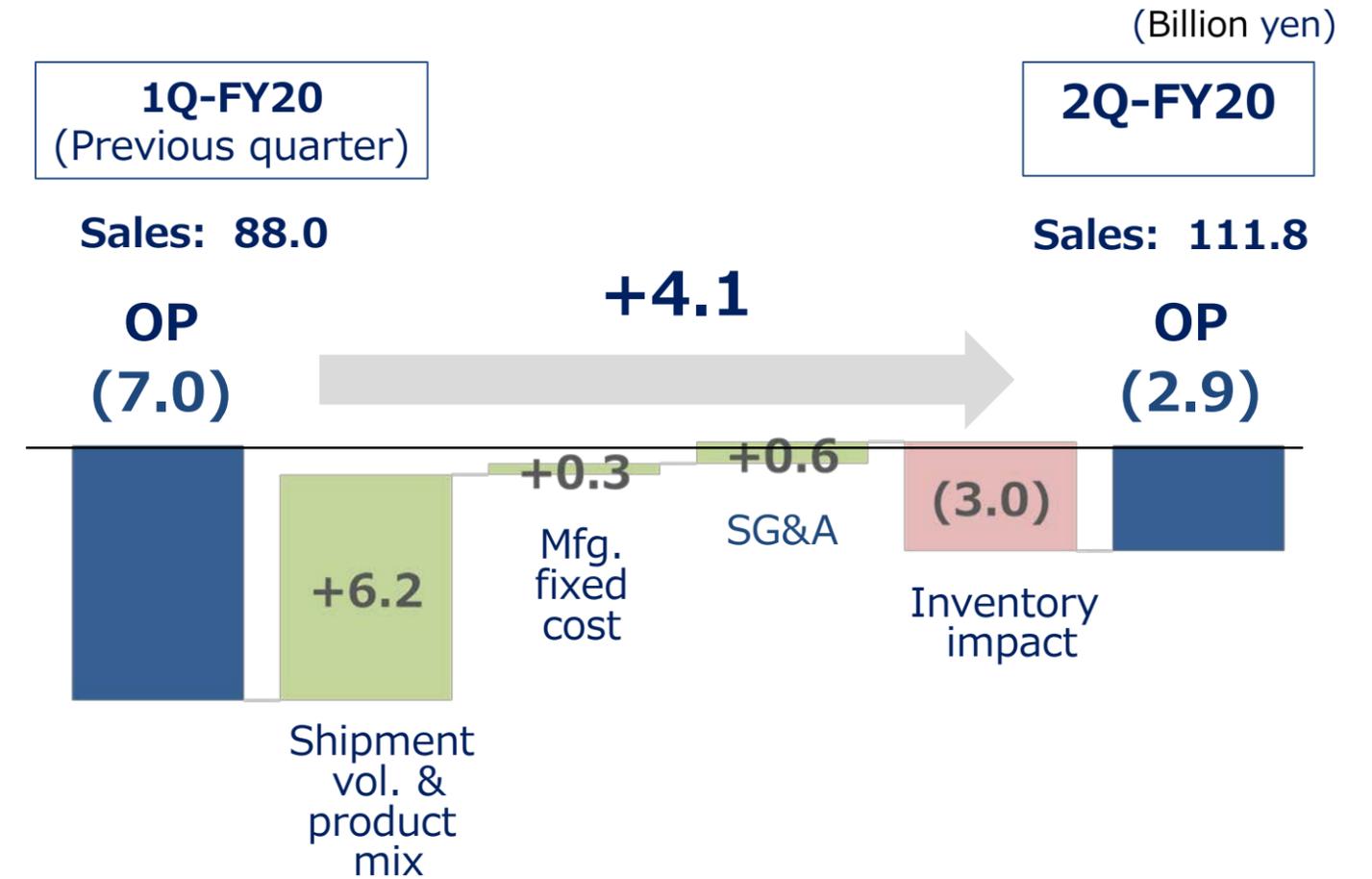
12.0 13.1

2Q-FY20 Operating Profit Change Factors

vs. Previous year (2Q-FY19)



vs. Previous quarter (1Q-FY20)



FY 2020 Outlook

Continue to be in the red despite lower losses, further measures to return to the black are indispensable

3Q outlook

	(Billion yen)			
	FY19 9 mo.	FY20 9 mo.	FY19 3Q	FY20 3Q
Net sales	387.8	269.8	150.0	70.0
OP income	(32.6)	(19.9)	2.5	(10.0)

Annual CAPEX and R&D

	FY19 (Act.)	FY20 (9/10 est.)	FY20 (11/13 est.)
Capex	16.1	12.8	11.5
Dep. & amort.	20.7	16.8	15.0
R&D	10.3	9.0	8.6

FY20 outlook and measures

Sales: JPY330-350bn (-34.5% to -30.6% YoY)

- Sept. 10 forecast: -25% to -15%
- While sales of low-price panels for smartphones to increase, sales of high-price modules for smartphones to greatly decline in 2H
- Sales in Automotive and Non-Mobile categories to rise versus 1H

Op. income:

Though losses are expected to decrease YoY, still in the red, making it vital to take measures. Working to further reduce costs and increase sales by developing new products/entering new markets.

Funds:

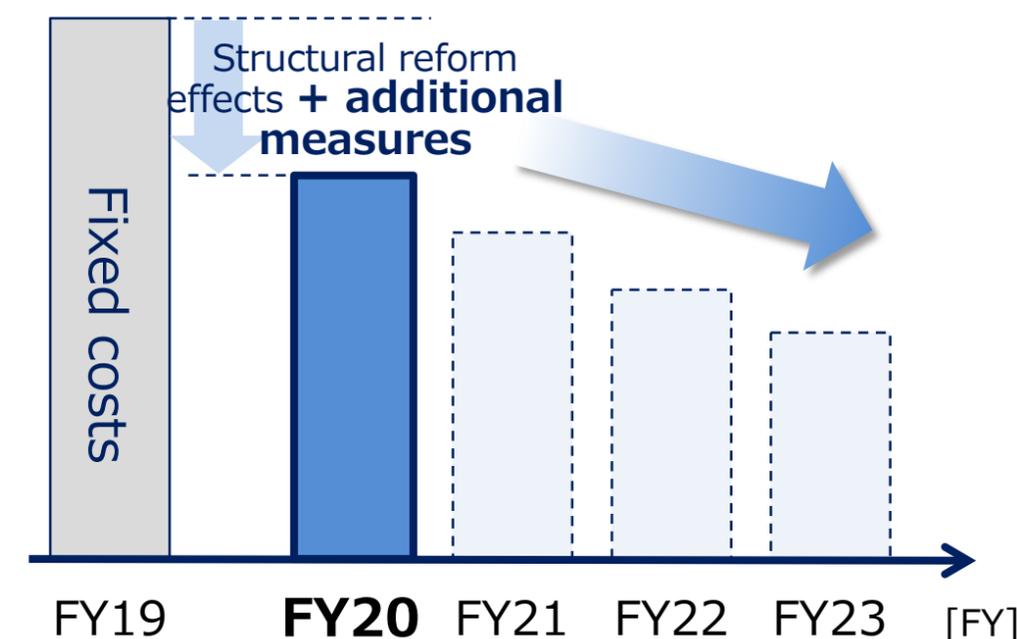
- On Oct. 2, **completed payback of advances received** (about US\$700mn) from a customer.
- **Stock Acquisition Rights** (up to **JPY55.4bn**) allotted to Ichigo Trust will be utilized as needed in future.

Strengthen Cost Competitiveness

Transform into a low-cost/profitable business structure by drastically reducing costs and further improving productivity

■ Reduce fixed costs: **JPY28bn** or more targeted in FY20 (vs. FY19)

- **Power costs** : Energy efficiency improvements, contract optimization
- **Maintenance costs** : Improve equipment maintenance efficiency, review contracts
- **Manufacturing etc** : Maximize throughput by improving productivity, optimize assets
- **Office functions etc**: Minimize SG&A and indirect costs, improve efficiency of common operations



■ Reduce variable costs: **3pts.** or more targeted in FY20 (**JPY10bn** or more in FY20 (vs. FY19))

- **Material costs** : Review supply chain from the viewpoint of cost competitiveness, standardize materials/improve material efficiency
- **Outsourced assembly costs** : Review business/contracts, reduce labor hours
- **Yield losses** : Accelerate project to cross sectionally **cut yield losses by half**

R&D Activities to Create New Revenue Sources

Creating new added value based on backplane core technology

New Display

Pursuit of reality



Conventional LCD



Newly developed polarized laser backlight LCD

**BT2020 standard
98% compatible*
8K display**

*98% reproduction of the color gamut that exists in nature

With support from the Japan Science and Technology Agency (JST) NexTEP.

A hygienic & interactive response to the Covid-19 era

**Hover touch
+
Transparent display**



New UX/ New Sensor

Touch display enables continuous fingerprint authentication



Multi-finger detection



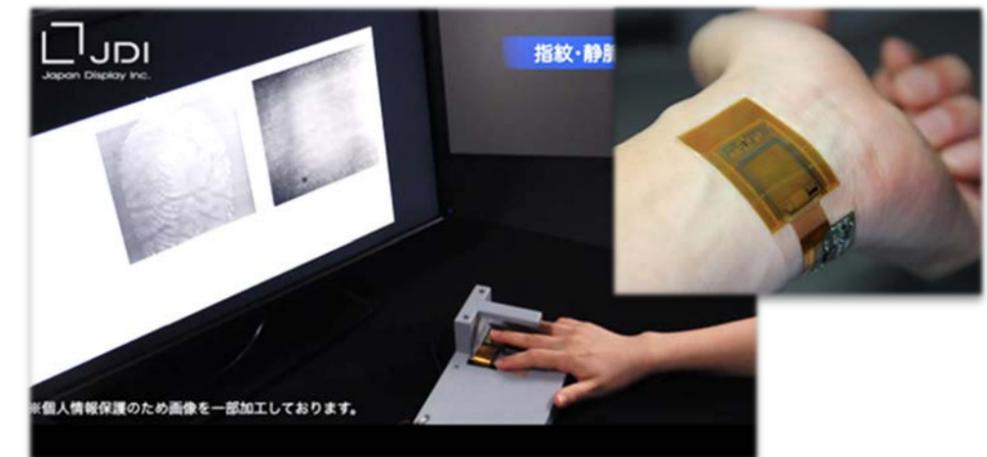
Smartphone type

Full screen fingerprint sensor

Wearable sensors enables continuous vein recognition

Wearable biometrics

With support from the Japan Science and Technology Agency (JST) ACCEL



Commercialization of New Technologies in New Fields

Creating new products by applying various core technologies to new business fields such as medical care and health management

2020/9/24 release

5.5-inch light field display
Development kit now on sale



5.5 inch light field display

content creation:  NHK Technologies

Now selling a 5.5-inch **light field display** development kit that enables viewing a 3D display with the naked eye.

By achieving more natural-looking 3D images, this display is expected to be used in various long-term visual situations, such as **digital archives of works of art and in the education and medical fields.**

2020/10/15 release

Developed cycling VR* system now on sale for healthcare applications



*CROSSDEVICE Inc. is applying for a trademark for its cycling VR system

Jointly developed (and now on sale) with CROSSDEVICE Inc. (Hamamatsu City, Shizuoka Prefecture) a cycling VR system, a three-panel theater combined with our **high-resolution head-mounted display "Virtual Dive100"**.

Potential also exists for applications in existing facilities, such as fitness and other **healthcare** services providers and location services that provide tourism guidance.

2020/11/4 release

Developed hover sensor technology for high-precision touchless input

New!!



12.3 inch hover sensor (prototype)



Illustrated concept

Developed a **transparent external glass hover sensor panel** that can accurately detect fingers even at a distance of 5cm from the sensor surface.

Enabling **greater public hygiene** by developing high-precision hover sensors that make possible touchless input optimized for input devices such as automatic reception devices, automatic ticket vending machines, product vending machines, ATMs and elevators used in medical, industrial, and public facilities.

Appendix

Balance Sheet & Cash Flow Statement

Balance Sheet

	(Billion yen)		
	Mar. 2020	Jun. 2020	Sep. 2020
Cash and deposits	66.7	45.2	49.8
Accounts receivable - trade	70.9	38.2	42.3
Accounts receivable - other	48.1	36.0	32.8
Inventories	39.1	47.1	41.5
Other	4.6	7.3	5.8
Total current assets	229.4	173.7	172.1
Total non-current assets	160.3	157.0	143.3
Total assets	389.7	330.8	315.4
Accounts payable - trade	89.3	60.0	66.5
Interest-bearing debt	98.0	97.5	97.4
Advances received	89.1	82.6	81.5
Other liabilities	59.9	53.6	46.8
Total liabilities	336.4	293.6	292.3
Total net assets	53.4	37.1	23.1
Shareholders' equity ratio	13.1%	10.5%	6.6%

Note 1. Difference in balances of "cash & equivalent" in cash flow statement and "cash and deposits" in balance sheet as of the end of 2Q-FY20 is 0.3 billion yen in deposits paid.

Cash Flow

	(Billion yen)	
	1H-FY19	1H-FY20
Income before income taxes	(103.0)	(35.5)
Dep. & Amort.	11.3	8.8
Working capital	(15.7)	17.7
Advances received	(10.3)	(7.5)
Structural reform cost	59.7	10.2
Other	1.6	(7.3)
CF from operating activities	(56.4)	(13.6)
Purchase of non-current assets	(10.7)	(3.2)
Other	(1.6)	(1.4)
CF from investing activities	(12.3)	(4.6)
CF from financing activities	57.8	1.3
Ending balance, cash & equiv.	56.8	49.4
Free cash flow	(67.1)	(16.8)

Note 2. Free cash Flow = Operating cash flow + Purchase of non-current asset